



Minutes City Council's Finance, Economy & Veterans' Affairs Committee January 16, 2007

Minutes of the City Council's Finance, Economy & Veterans' Affairs Committee held on Tuesday, January 16, 2007, 3:00 p.m., in the 3rd Floor Council Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Hut Hutson, Chair
Councilmember Mark Mitchell

City Staff Present:

Tom Canasi, Community Services Mgr
Steve Dalton, SROG Program Admin
Tom Duensing, Deputy Financial Svcs Mgr
Kathy Gasperich, Council Aide
Don Fassinger, Cultural Facilities Admin
Jerry Hart, Financial Svcs Mgr
Don Hawkes, Water Utilities Mgr
Valerie Hernandez, Human Resources Mgr
MiYoung Kim, Planning & Research Analyst
Jeff Kulaga, Assistant City Mgr
Mark Richwine, Parks and Rec Mgr
Shauna Warner, Neighborhood Svcs Dir

Guests Present:

John Gallagher, Red Oak Consulting
Jennifer Ivy, Red Oak Consulting

Vice Mayor Hutson called the meeting to order at 3:00 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 3 – Water and Wastewater Development Fees

0210-05

Don Hawkes introduced MiYoung Kim and Steve Dalton from Water Utilities Department, Tom Duensing, Financial Services, and John Gallagher and Jennifer Ivy from Red Oak Consulting. He distributed the Water and Wastewater Development Fees report. He added that staff will be happy to return to the special committee meeting on January 30th or to the regular committee

meeting in February. Staff is seeking the committee's endorsement and direction to proceed to full Council IRS for consideration on March 1st.

Mr. Hawkes summarized that development fees are one-time charges assessed to developers and are designed to finance capital expansion and retire debt. There are two kinds of infrastructure—retail and wholesale. For example, when a developer has a parcel of raw land, the retail infrastructure is the local infrastructure on the property enabling him to connect to the City's water and wastewater systems. Wholesale infrastructure consists of the large diameter collectors, water mains and treatment capacity that the City has installed. These fees are designed to finance the wholesale infrastructure. This ensures that growth pays for growth. Our rate payers aren't financing the needs of additional citizens coming into the city. The last time fees were adjusted was in 2002 and last year Red Oak Consulting was retained to help us with this study.

Mr. Hawkes outlined the report:

Approach 1 – Debt Issued as Needed - Incremental Method

- Annual 5% increase = \$2,806 (incremental method) and \$2,621 (cash flow analysis)
- Comparison of current fees with inflated (index) fees and recommended fees:
 - Currently (3/4" meter) charging a combined water/wastewater development fee of \$4,236. Hasn't changed since 2002.
 - If index based on actual inflation of projects in Valley, the "inflated" fee should be \$5,967. Proposed fee, based on actual capital program, would be \$8,032.
 - A 3/4" is typical meter for residence. Compared to 2" meter, we are charging \$22,593, "inflated" would be \$31,826, proposed would be \$74,967.
 - The meters used in 2002 had a lower capacity, the newer meters are more efficient.
 - The increase in fee is justified because this is what we need to charge to recover the growth capital cost.
 - A 4" meter would increase from \$84,723 currently to \$267,740.
 - He also showed comparisons to other Valley cities. Very difficult to make valid comparison, however. The proposed fees would still be competitive.

Mr. Hawkes continued that annual adjustments would be important. New legislation requires the City to do a report at the end of the year and puts a time burden on passing these fees. It's about a six-month process from staff coming to Council to when fees are implemented. With changing capital needs and construction costs inflation index, it is about 8% per year, and our assumptions are 5%. Staff is requesting a recommendation to take this to full Council.

Councilmember Mitchell asked if this is full cost recovery.

Mr. Hawkes responded that enough money is collected to finance the growth part of our capital as well as repay debt.

Vice Mayor Hut asked for more time to study this and suggested staff have a one-on-one with him and with Councilmember Mitchell and then bring it back to the next committee meeting.

Mr. Hawkes summarized that implementation would be scheduled in about six months. Staff has targeted March 1st for IRS presentation. Another option would be, with the committee's recommendation and one-on-ones with the rest of Council, to do the IRS on 3/1 and have the

kick-off also on March 1st. If we can get this on the February committee meeting, we still are on track for IRS on 3/1 and kick it off weither on 3/1 or 3/22.

Jerry Hart added that a number of comparison cities are in the midst of reviewing their development fees.

DIRECTION: Staff to return to the Committee on February 20th.

Agenda Item 2 – Proposed Operating Policies and Rate Structure for Tempe Center for the Arts 0109-19

Tom Canasi summarized that the proposed operating policies and rate structure have been presented several times to the Arts and Community Services Committee, but staff thought it was appropriate to bring it to FEVA Committee. The policies have been developed through a public process, with partner agencies, community, benchmark, Risk Management, and local staff. The goal was to make this a competitive rate structure to help many of our partner agencies make the transition from their small community theater to a much larger and comprehensive theater program.

Don Fassinger outlined the proposed operating policies:

Rental Rates:

- Tier 1 – TCA partners (Tempe-based arts organizations involved in development of the TCA) – receive the most advantageous rate to ease their transition.
- Tier 2 – Non-Commercial users (organizations not connected with or engaged in commercial enterprise with profit as an end goal)
- Tier 3 – Commercial users (organizations which focus on profit as an end goal)

Councilmember Mitchell asked about the City using the TCA for an event.

Mr. Canasi responded that when the City is sponsoring its own event, we would generally not sponsor ourselves for that use. If a department wanted to use it regularly, we might ask them to help offset some direct cost.

Mr. Fassinger added that staff is looking at a possible 10% discount for Tempe residents and Tempe-based businesses in Tier 2 and Tier 3.

Mr. Canasi added that there's logic both ways. There's a concept that taxpayers pay for this facility and we should give them a modest rate. One challenge is that an organization may want to use the facility and get the 10% discount and may find someone to reserve it for them. The proposed rate structure is complex because there are many different parts of the facility that can be rented. We've used benchmarks wherever possible, our users have reviewed them.

Vice Mayor Hutson asked for explanation of Tier 2.

Mr. Fassinger responded that Tier 2 used to be all non-profit. Originally it consisted of TCA users, partners, non-profits, and profits, but then staff broke it into tiers. Tier 2 users are those organizations not connected with or engaged in commercial enterprise with profit as an end goal. Tier 2 users may include non-profit arts organizations, non-profit charter and professional

schools, Tempe public and private schools, organizations holding official IRS non-profit status, community organizations, etc. It's tighter.

Vice Mayor Hutson asked staff, after the second year of operations, to go back and look at that again.

Mr. Fassinger continued with the proposed reservation structure. One of the organizations we recognize as probably the most active user will be Childsplay. Our date scheduling process will be:

- City staff will create a calendar, taking into account any maintenance schedules and any special events we may be planning, and then present an open date calendar for Childsplay.
- Staff will then work with Childsplay to develop their performance schedule.
- Then staff will move on to the remainder of the TCA partners.
- Looking at a potential of 18 months in advance for the Childsplay schedule. The rest of the partner groups (Tempe Little Theater, Tempe Symphony, Community Chorus and a few others) will be planning their schedules about 15 months in advance.
- Once those are in place, then we will open the calendar to other users.

Vice Mayor Hutson asked about cancellations.

Mr. Fassinger responded that, basically, the cancellation policy is 120 days out. With the exception of a \$200 administrative fee, all deposits, etc., are returned. The refund slowly decreases. Inside 30 days, there is no refund for Tier 2 and Tier 3 users. For the TCA partners, if there are 30 days left and if we can re-schedule whatever room was reserved, there will be no penalty. This is in line with most of the other theater complexes in the Valley.

Mr. Canasi added that staff will be presenting this one last time to the Arts & Community Services Committee tomorrow, and then staff would propose to bring it to IRS for Council review.

Vice Mayor Hutson noted that he still wasn't sold on the discounts yet.

Councilmember Mitchell asked if we offer discounts to citizens for use of other city facilities.

Mark Richwine responded that the only places would be the golf courses, Kiwanis Recreation Center, pool, gym and tennis courts, per Council action. It is a major frustration. Staff is put in the position of debating residency status and it is difficult for staff. The challenge is with the current driver's license status providing a license for up to 25 years, someone could have a Tempe address on the license and no longer live in Tempe, or conversely.

Mr. Canasi added that he felt we are there on most of what we're proposing, but the challenge is whether we want to put forth a discount for residents. They anticipate issues. Anyone can reserve it and say they are a resident.

DIRECTION: Move forward to Arts & Community Services Committee, then take it to the IRS for Council review.

Agenda Item 4 – Review of Tempe Involving the Public (TIP) Manual 0403-01-01

Shauna Warner summarized that the draft manual comes from the adopted General Plan 2030. One of the strategies identified was to develop and implement a Planning and Public Involvement Policies and Procedures Manual. The manual has been the work of neighborhood staff as well as the Neighborhood Advisory Commission, as well as a consultant. It has been reviewed by all departments. It identifies the different types of planning the City is involved in and it sets out expectations for an easy-to-do public involvement program component for each type of planning. Staff is seeking direction to take the document to full Council.

Jeff Kulaga added that a key concern, especially in working with the Neighborhood Advisory Commission, is development and redevelopment. Will developers use this as a tool to deliver a better, more organized public involvement plan. The manual is a combination of a "how-to manual", with a little philosophical element. How far will Council adopt, accept, or acknowledge that this exists? Is it used as a guideline?

Ms. Warner noted that staff has heard from developers that the new zoning code requires neighborhood meetings but the City provides nothing to tell them about how to hold one. This would not be a mandate, but it would provide some ideas. Templates have also been included.

DIRECTION: Staff directed to bring forward to Council at an IRS.

Agenda Item 5 – OPEB Update 0303-03-01 No Material

Jerry Hart summarized that at the December meeting, staff was directed to bring this issue forward to an IRS. Staff had presented the concept of the retiree healthcare program for new employees, but had very little response from representatives of the employee groups. So staff met for the third time with those representatives to update them on what transpired at the committee, and they also planned to brief ahead of the Council meeting, each of the councilmembers on the presentation. Last week, staff learned that the City of Phoenix was also ready to move forward with recommended changes to their retiree health plan and were looking at presenting the changes in February or March.

Tom Duensing added that it could cover both new hires and current employees. No recommendations have gone forward to their Council at this point.

Mr. Hart added that staff will continue to monitor that and as soon as we hear anything, we will get that information and bring it to the committee. The item was removed from the IRS agenda for the 18th.

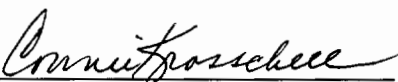
Agenda Item 6 – Future Agenda Items

- Recommendations for Special Event Permit Fees (1/30/07)
- Long Range Forecast Update (1/30/07)
- Development and Building Safety Fees (2/20/07)
- Accident Cost Recovery (2/20/07)
- Traffic Control Fees (2/20/07)

There will be a special committee meeting on Tuesday, January 30th.

Meeting adjourned at 4:05 p.m.

Prepared by: Connie Krosschell
Reviewed by: Jerry Hart



Connie Krosschell
Acting City Clerk